

LOUISIANA RECOVERY AUTHORITY

Small Business Bridge Loan Program CDBG Funding Resolution

January 13, 2006

Overview: Resolution to request the Louisiana Recovery Authority to endorse the use of dollars provided through the Supplemental Appropriations to the Community Development Block Grant program for up to \$100 million for an immediate continuation and expansion of the Louisiana Economic Development Small Business Disaster Bridge Loan Program.

EXECUTIVE SUMMARY

Bridge Loan Program -- In October 2005, Governor Blanco directed Louisiana Economic Development to create a Small Business Disaster Bridge Loan Program. It was modeled on similar programs created in Florida and New York intended to accelerate the receipt of loan funds to small businesses awaiting financial assistance from the Small Business Administration (SBA).

The LED bridge loan program used \$10 million in state funds reallocated from the Governor's Rapid Response Fund. The \$10 million was given to the Louisiana Public Facilities Authority, a quasi-state authority, which set up a program that used the funds to guarantee the bridge loans through local banks. Local banks evaluated and administered the loans, with 21 local banks participating. The loans were interest-free for 180 days for up to \$25,000. They were made as personal loans for businesses purposes -- based solely upon the credit worthiness of the applicant.

The initial \$10 million in bridge loan funds were allocated proportionately by region. Loans were made to support 407 businesses in 13 parishes, and the available \$10 million was committed within 3 weeks. Demand was greatest in Southwest Louisiana, which was able to react more quickly than other areas of the state. While Orleans, St Bernard, Plaquemines, and Jefferson Parishes suffered greater damage by total number of affected small businesses, business populations were dispersed across the country, preventing many New Orleans area business owners from taking advantage of the initial bridge loan program.

Bridge loans remain the highest immediate, short-term priority for economic recovery for the state and Congressional delegation.

RECOMMENDATION

It is recommended that the following resolution be adopted:

NOW, THEREFORE, BE IT RESOLVED, that the Economic and Workforce Development Task Force of the Louisiana Recovery Authority does hereby request the Louisiana Recovery Authority Board to endorse the use of dollars provided through the Supplemental Appropriations to the Community Development Block Grant program for up to \$100 million for a Louisiana Economic Development Small Business Disaster Bridge Loan Program.

BE IT FURTHER RESOLVED, that prior to the usage of the second \$50 million of the \$100 million allocation, that the Small Business Bridge Loan Program be reviewed by the Economic and Workforce Task Force and the LRA Board for performance and accountability.

BE IT FURTHER RESOLVED, that any partial action plan for Supplemental Community Development Block Grant dollars be approved by the Joint Legislative Committee on the Budget prior to submission to the Secretary of Housing and Urban Development.

BE IT FURTHER RESOLVED, that the programs approved using Supplemental Community Development Block Grant funding provided through a state agency should be subject to the oversight of the appropriate legislative committee for such agency and activity.